

**REPORT TO THE
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION**

**FOR THE QUARTER
OCTOBER 1, 1999 TO DECEMBER 31, 1999**



- TABLE OF CONTENTS -

TRANSMITTAL LETTER	1
 EXECUTIVE SUMMARY	
 Analysis of E911 Revenues and Expenses	3
Review of Criminal Offense Reporting Process	3-4
Department of Taxation.....	4
 SUMMARY OF REPORTS ISSUED.....	6-8

January 7, 2000

The Honorable Richard Holland, Chairman
and
Members, Joint Legislative Audit and Review Commission
General Assembly Building
Capitol Square
Richmond, Virginia 23219

This transmits our quarterly summary of reports issued for the period October 1, 1999 through December 31, 1999.

The *Executive Summary* includes reports that may be of special interest to the members of the Commission. We have included a report in the summary for the sole purpose of bringing to your attention matters of significance. These summaries do not include all findings within a report or all reports with findings.

The *Summary of Reports Issued* lists all reports released during the quarter and shows reports that have audit findings.

We will be happy to provide you, at your request, any reports in their entirety. We welcome any comments concerning this report or its contents.

Sincerely,

Walter J. Kucharski
Auditor of Public Accounts

WJK:aom

EXECUTIVE SUMMARY

ANALYSIS OF E911 REVENUES AND EXPENSES

At the request of the State Crime Commission, we have performed an analysis of E911 revenues and expenses by locality. Below is the *Summary Of Findings And Issues*.

- The reporting of E911 expenses raises several issues relative to the legislative intent of the use of E911 services taxes.
 - *Was the legislative intent of the statute, Code of Virginia Section 58.1-3813, (1) to fund all E911 communication costs, (2) to fund all costs of operating a locality's communication center, or (3) to fund some portion of these costs?*
 - *If the legislative intent is to fund only E911 costs or a portion thereof, how does a locality separate or allocate these costs from other communication costs?*
 - *If a locality can use an E911 position to handle other administrative calls or duties, should E911 taxes fund those activities?*
 - *Should all localities fund E911 program director or coordinator positions if they work exclusively on E911 operations?*
- Localities use different type of funds to record E911 activity, which raises the following issues:
 - *Should localities have separate accounting over E911 revenues and expenses?*
 - *Should localities use an individual fund or budget to record these transactions?*
- In 1999, localities collected \$68,065,475 in E911 services taxes, an increase of approximately \$38,050,000 over the past six years. This increase comes from tax increases, more localities assessing the tax, and more telephone lines.
- The average E911 services tax rate has increased from \$.99 to \$1.30 over the past six years.
- As of June 1999, sixteen localities were collecting E911 services taxes but were not providing enhanced emergency telephone service. All of these localities have begun or have plans to provide enhanced services in the future.
- Fourteen localities are not collecting E911 services taxes and do not provide enhanced emergency telephone service. Two localities do not collect the tax, yet provide the enhanced service.

REVIEW OF CRIMINAL OFFENSE REPORTING PROCESS

The Auditor of Public Accounts has reviewed the criminal offense reporting process used by law enforcement agencies, courts, and correctional facilities within the Commonwealth to determine the accuracy and completeness of criminal offender information forwarded to the Department of State Police for inclusion in the Central Criminal Records Exchange.

Our sample of 812 individual records found the Central Criminal Records Exchange's database had an accuracy rate of 85 percent and a completeness rate of 59 percent. We found the following weaknesses in the reporting process.

- No entity has oversight authority to enforce reporting compliance;
- Not all arresting agencies, court clerks, and correctional facilities fulfill their statutory criminal history information reporting requirements;
- Reporting, for many agencies, is not an automated process;
- The Central Criminal Records Exchange needs to improve its follow-up procedures when it receives incomplete or inaccurate reports; and
- There are only a limited number of courts that provide case disposition data to the Central Criminal Records Exchange electronically.

Our recommendations include:

- The General Assembly may wish to consider establishing oversight authority to enforce reporting compliance;
- The General Assembly may wish to consider providing an estimated \$10 million in funding to completely automate the criminal information reporting process;
- The Central Criminal Records Exchange should improve its procedures to resolve erroneous or incomplete reports timely; and
- The Central Criminal Records Exchange and the Supreme Court should work to develop processes that would allow all courts to provide case dispositions electronically.

DEPARTMENT OF TAXATION

During this quarter, we conducted a special audit in accordance with Section 2.1-155 of the Code of Virginia, because during our audit of the Department of Taxation we found facts concerning the potential loss of state funds. On October 20, 1999, our staff auditors identified a substantial tax refund to an individual taxpayer, more than \$2.9 million. Based on preliminary interviews and examination of supporting documentation, the Department believes that the taxpayer electronically submitted a fraudulent 1998 Virginia tax return. Because of the absence of specific system controls, this tax return resulted in an erroneous refund check to the taxpayer. The taxpayer subsequently deposited the check and transferred the funds out of his bank account.

The Department has taken steps to reinstate the controls to avoid future occurrences. The Department has notified the State Police and they are conducting a criminal investigation with the Department's Criminal Investigation Unit to resolve this issue. Upon the conclusion of our work in this area, we will issue a report.

SUMMARY OF REPORTS ISSUED

SUMMARY OF REPORTS ISSUED

The following reports on audit were released by this Office during the period October 1, 1999 through December 31, 1999. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

State Agencies and Institutions

Judicial Branch

Virginia District Court System Statewide Report, Report on Audits Completed from
July 1, 1998 through June 30, 1999*

Executive Departments

Executive Offices

Division of Selected Agency Support Services for the year ended June 30, 1999
Governor's Cabinet Secretaries for the year ended June 30, 1999
Office of the Attorney General for the year ended June 30, 1999
Office of the Governor for the year ended June 30, 1999
Office of the Lieutenant Governor for the year ended June 30, 1999

Commerce and Trade

Virginia Economic Development Partnership for the year ended June 30, 1999
Virginia Racing Commission for the year ended June 30, 1999
Virginia Commercial Space Flight Authority for the year ended June 30, 1999

Education

Department of Education for the year ended June 30, 1999
Office of Comprehensive Services for At-Risk Youth and Families for the year
ended June 30, 1999

Colleges and Universities

University of Virginia for the year ended June 30, 1999
University of Virginia Medical Center for the years ended June 30, 1999 and 1998
University of Virginia, Intercollegiate Athletic Programs for the year ended June 30, 1999
Virginia Biotechnology Research Park Authority for the year ended June 30, 1999*
Virginia Polytechnic Institute and State University for the year ended June 30, 1999*
Virginia Polytechnic Institute and State University, Intercollegiate Athletic Programs
for the year ended June 30, 1999

Health and Human Resources

Department of Medical Assistance Services for the year ended June 30, 1999*

Public Safety

Department of Alcoholic Beverage Control for the year ended June 30, 1999*

Technology

Innovative Technology Authority for the year ended June 30, 1999
Innovative Technology Authority and Center for Innovative Technology for the year ended
June 30, 1999
Virginia Information Providers Network for the year ended June 30, 1999

Transportation

Virginia Port Authority for the year ended June 30, 1999*

Independent Agencies

Virginia Public Broadcasting Board for the year ended June 30, 1999
Virginia Retirement System for the year ended June 30, 1999

Special Reports

Review and Analysis of Enhanced Emergency Services Revenues and Expenses for
Virginia's Local Government Dated November 5, 1999
Review of the Criminal Offense Reporting Process Dated November 29, 1999
Wireless E-911 Service Board for the year ended June 30, 1999

Clerks of the Circuit Courts

Cities:

City of Salem For the Period July 1, 1997 Through June 30, 1998*

Counties:

County of Amelia For the Period July 1, 1997 Through June 30, 1998*

County of Fairfax For the Period July 1, 1997 Through June 30, 1998*

County of Gloucester For the Period April 1, 1998 Through June 30, 1999*

County of Rockbridge For the Period July 1, 1997 Through June 30, 1998

General Receivers of the Circuit Courts

Counties:

County of Buchanan For the Period July 1, 1996 Through June 30, 1999

County of Pulaski For the Period July 1, 1997 Through June 30, 1999

County of Russell For the Period January 1, 1996 Through March 31, 1998

County of Tazewell For the Period July 1, 1996 Through April 30, 1999

County of Washington For the Period July 1, 1997 Through June 30, 1999

Treasurers - Turnover

Counties:

County of Dickenson For the Period July 1, 1998 Through June 30, 1999

County of Fairfax For the Period July 1, 1998 Through June 30, 1999

County of Fairfax For the Period July 1, 1999 Through September 6, 1999

County of Page For the Period July 1, 1998 Through June 30, 1999

County of Surry For the Period July 1, 1998 Through June 30, 1999

County of Westmoreland For the Period July 1, 1998 Through June 30, 1999

Cities:

City of Radford For the Period July 1, 1998 Through August 31, 1999